

SPECIAL LOCAL HOTEL-MOTEL TAXES  
Chapters 67.28, 67.40 & 36.100 RCW

Tax Base           Charges for lodging at hotels, motels, rooming houses, private campgrounds, RV parks and similar facilities for continuous periods of less than one month.

Tax Rates           2.0 percent, with certain exceptions for jurisdictions which prior to 1997 were authorized to levy up to 3.0 percent.

The combined rate of state and local retail sales tax, the state convention center tax and any special hotel-motel taxes may not exceed 12 percent in any municipality except the city of Seattle, where the maximum rate is 15.2 percent (thus precluding any special hotel-motel tax in Seattle). (RCW 67.28.181) However, a higher aggregate rate cap applies for jurisdictions which previously levied higher hotel/motel tax rates. (See example for Bellevue in the discussion section below.)

Levied by           Cities and counties (currently 91 cities and 18 counties), pursuant to RCW 67.28.181. Unlike the state-shared 2.0 percent hotel-motel tax, these taxes are not credited against the state sales tax, so there is an additional burden for consumers.

Public facilities districts (currently one), pursuant to RCW 36.100.040; such tax is restricted to facilities with at least 40 units. Unlike the state-shared 2.0 percent hotel-motel tax, these taxes are not credited against the state sales tax, so there is an additional burden for consumers.

Administration       Department of Revenue. No reimbursement for collection costs is provided for the Department. The tax is reported by hotels and motels on the combined excise tax return (Form #40 2406) and the funds are distributed by the State Treasurer on a monthly basis.

Distribution of Receipts

Special hotel-motel taxes collected by the Department are returned to the proper city or county within two months following their receipt from the hotels and motels. Use of the funds is restricted to promotion of tourism or construction and operation of tourism-related facilities.

### Recent Distributions (\$000)

<u>Calendar Year</u>	<u>Cities</u>		<u>Counties</u>	
	<u>Amount</u>	<u># of Cities</u>	<u>Amount</u>	<u># of Counties</u>
2001	\$13,455	91	\$4,260	18
2000	13,631	84	4,294	18
1999	11,801	78	3,746	15
1998	9,021	55	2,973	8
1997	4,715	19	2,772	5
1996	3,919	17	2,541	5
1995	2,738	12	2,440	5
1994	2,332	9	1,805	5
1993	2,052	9	1,204	3
1992	1,964	8	1,030	2

### Exemptions, Deductions and Credits

The special hotel-motel taxes must allow exemption for lodging of homeless persons via a voucher program which provides reimbursement by a public agency or private organization that offers emergency food and shelter services.

The tax imposed by Bellevue is similar to the state convention center tax which applies in Seattle and the balance of King County, in that it exempts hotel-motel facilities with less than 60 units. Similarly, the tax authorized for Spokane County applies only to facilities with 40 or more units.

### History

The initial additional hotel-motel tax was authorized in 1982 when Bellevue was allowed to levy a 3.0 percent tax to finance its convention center (at the same time that the state convention center tax on lodging was imposed in Seattle and the remainder of King County). In 1987 a 2.0 percent tax was provided for the convention center in Pierce counties; cities within the same county could also levy the tax. The following year 3.0 percent taxes were authorized for Ocean Shores, Yakima County and Pacific County, as well as the 2.0 percent tax for the public facility district in Spokane County. In 1991 authority for a 3.0 percent tax was provided for Westport, Friday Harbor and San Juan County. In 1993 special hotel-motel taxes were extended for Grays Harbor County, Cowlitz County and Pasco, followed by a 2.0 percent tax in Snohomish County the following year. In 1995 new authority was enacted for hotel-motel taxes in Chelan, Leavenworth, Wenatchee and East Wenatchee. Also, in that year the authority for a tax by public facility districts was extended from Spokane County to any county, and the new tax effective in the year 2000 for the state convention center expansion was adopted.

Legislation enacted in 1997 and 1998 repealed all of the various special hotel-motel taxes which had been allowed for particular jurisdictions and replaced these statutes with generic authorization for any municipality.

### Discussion/Major Issues

During 2000, approximately 1,675 firms reported special hotel-motel taxes.

Over the past decade there had been a growing number of special hotel-motel taxes authorized for certain cities and counties. Generally, the permitted use of the funds was for a tourist-related activity or facility. There were many requests by other local governments for similar taxing authority, as jurisdictions competed to attract tourists. With the new uniform authority for such taxes in any municipality, there has been a significant increase in the number of levying jurisdictions, starting in 1998.

RCW 67.28.181(1) applies a 12.0 percent limit on the combined sales and hotel/motel tax rates (except for the R.T.A. sales tax) in cities other than Seattle. With grandfathering of previously imposed hotel/motel taxes provided by the statute, the maximum combined tax rate for Bellevue is 14.0 percent. As a result, the local sales tax rate which applies in the city of Bellevue on lodging facilities with 60 units or more must be reduced. Otherwise, the aggregate tax rate on such sales would total 14.2 percent (state convention center tax, 2.8%; municipal special hotel/motel tax rate, 3.0%; state retail sales tax rate, 6.5%; and aggregate local retail sales tax rate, 1.9% = 14.2%). The excess tax rate of 0.2 percent is taken from the King County transit tax rate of 0.9 percent, thus reducing the effective local transit tax rate to 0.7 percent on lodging transactions at facilities with 60 or more units.

Unlike the 2.0 percent state-shared local hotel-motel tax, the special local taxes are in addition to the combined state and local retail sales tax. Thus, the overall sales and hotel-motel tax rate is in the range of approximately 10 to 11 percent for most jurisdictions (and even higher in King County). While comparable special lodging taxes are levied in tourist destination cities in many other states, the combined tax rate for some Washington locations is considered to be quite high and may have some detrimental impact on efforts to encourage tourism and conventions in Washington.